

# **Campaign Contributions and Lobbying: An Analysis of State Variation**

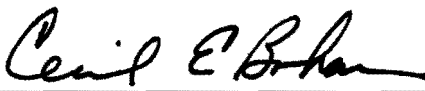
An Honors Thesis (HONRS 499)

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May 2006

## Abstract

This paper uses multiple regression analyses to examine and help explain variations in contributions to state legislative candidates across the majority of the United States. An argument is made that campaign contributions and the hiring of a registered lobbyist are substitutes. Examined variables also include: the power of the seats in the election, per capita budget expenditures, per capita square miles, chamber competition, and Republican membership.

## Introduction

The purpose of this paper is twofold. The primary purpose is to examine the relationship between campaign contributions and registered lobbying at the state legislative level. The secondary purpose is to identify other factors that help to explain variations in campaign contributions across different states.

## Literature Review

It is commonly accepted that campaign contributions are used by rent seekers to gain access to politicians, and there is quantitative evidence to back this claim up. By comparing campaign contribution of political action committees to the time that representatives of those PACs spent with legislators, Laura I. Langbein found that campaign contributions from PACs did influence the amount of access granted to national legislators (Langbein). There is also considerable amounts of qualitative data obtained through interviews with lobbyists, contributors and politicians that support this conclusion. James Herndon interviewed representatives of interest groups representing business and groups representing labor. Business representatives said that access was the most significant factor influencing their campaign contributions. The labor groups said that their contributions were more focused on influencing elections but that was because they already had significant access (Herndon). The implication of these two studies is that campaign contributions and lobbying act as compliments. Contributions come in from an interest group, so that a lobbyist at the capital can have access to the legislator. This relationship is not something that has been empirically proven.

One may assume that many campaign contributions to state legislative candidates come from parties seeking access to legislators, but what explains the differing contribution levels

among the states? One study found that campaign contributions to state legislative candidates in Texas were influenced by the power that the candidate had within the legislature. That study used the candidate's position, such as speaker of the house or committee chair, as a measure of power (Thielman & Dixon). An analysis of campaign spending by Robert E. Hogan found that chamber competition is not significantly correlated with campaign spending. Chamber competition increases as the percentage of seats that separate the majority from the minority decreases (Hogan).

Throughout the literature on state legislatures there has been a call for more research on what influences state legislative campaign contributions and for more research that looks at larger numbers of states. Hopefully this article will help to answer that call by examining the relationship between contributions and lobbying, Hogan's chamber competitiveness variable, a variable measuring seat power, and several other variables across a majority of the states.

## Theory

Contributions to state legislative campaigns are used to gain access to the legislator or candidate to whom the contributions are made and thus contributing to these campaigns constitutes a form of rent seeking. Because they are both modes of rent seeking, campaign contributions and the hiring of a registered lobbyist should be substitutes. Just the physical presence of a lobbyist in the halls of a state legislature gives the lobbyist some level of access. Obtaining information is costly to legislators and lobbyists can supply information at a lower cost than would be incurred by a legislator doing his or her own research. To gain access to a legislator it is not necessary for an interest group to make campaign contributions and have a lobbyist at the legislature. Contribution levels should be positively correlated to the amount of

power held by the legislative seats that are subject to elections in that specific cycle. Since the purpose of campaign contributions is to gain access to legislators, contribution levels should not be influenced by the political split in a legislative house. Larger majorities should not result in smaller contribution levels, because legislative access is no less valuable. Because population size is a large predictor of contribution levels, this paper uses legislative campaign contributions per capita as its dependent variable and independent variables are per capita where appropriate.

### Method and Data Sources

This paper uses multiple regression analysis to examine influences on per capita contributions to state legislative campaigns during the 2004 elections. This analysis looks at overall legislative contributions at a state-wide level. There are also separate analyses for the lower and upper houses. Contribution data is obtained from The Institute on Money in Politics found online at [www.followthemoney.org](http://www.followthemoney.org). Population data is from the 2000 census conducted by the United States Census Bureau. Information on the number of registered lobbyists and political makeup of legislatures comes from the 2005 edition of The Book of the States.

The power of a particular state legislative seat is measured by the amount of budget money that that particular seat hypothetically controls. It is assumed that the upper house and the lower house have equal control over the budget and this is represented by assigning half of the budget money to the upper house and half of it to the lower house. This half of the budget is then divided by the number of seats in the house to determine the budget money controlled per seat. The budget money controlled per seat is then multiplied by the number of seats for which an election is possible in order to provide a relative sense of the amount of budget control that is at stake during the particular election cycle. This number is divided by the population of the

state in order to eliminate population as an influencing factor. The final numbers are divided by 1000 so that an appropriate correlation coefficient variable is generated.

Besides the power of the seats subject to election, the multiple regression analyses includes state budget money per capita, square miles per person, the percentage of seats held by republicans, registered lobbyists per capita, and percent party difference in each house.

- The equation used to determine the “Power of Seats” is explained above.
- “Per Capita Budget Expenditures (\$1000s)” is the state’s 2004 budget expenditures divided by the state’s population divided by 1000. Budget expenditures were obtained from the 2004 State Expenditure Report by the National Association of State Budget Officers, available online at [www.nasbo.org](http://www.nasbo.org). Population measures were obtained from the 2000 Census by the U.S. Census Bureau, available online at [www.census.gov](http://www.census.gov).
- “Per Capita Square Miles” is the area of the state in square miles divided by the state’s population. The state’s area was obtained from the 2005 edition of The Book of the States Volume 37. Population is from the 2000 Census Report.
- “Percentage of Seats Controlled by Republicans” is the number of seats held by Republicans divided by the total number of seats. This data was obtained from the 2005 edition of The Book of the States Volume 37.
- “Registered Lobbyists per 1000 People” is the number of registered lobbyists divided by the population times 1000. The numbers of registered Lobbyists are found in 2005 Edition of The Book of the States Volume 37 and population figures are from the 2000 Census

- “Power of House Seats” only takes into account the seats that are up for election in the specific house. The “Power” is determined by fifty-percent of the budget divided by the total number of seats in the particular house, multiplied by the number of seats from that house that are up for election in 2004, divided by the 2000 population.
- “House Party Competition” is a measure of competitiveness among the two parties in the chamber. The number is derived by finding the difference in the number of seats controlled by the Republicans and Democrats and dividing this number by the total number of seats.

## Results

With total legislative campaign contributions per capita as the dependent variable the adjusted  $R^2$  is equal to .5046. The independent variables of seat power, per capita square miles, and number of registered lobbyists per 1000 people, were all significant at the 1% level. Per capita budget expenditures and the percentage of seats controlled by Republicans were both significant at the 5% level. Per capita contributions had a positive relationship with seat power and per capita square miles and had a negative relationship with per capita budget expenditures, the percentage of seats held by Republicans, and the number of registered lobbyists per 1000 people.

When the per capita campaign contributions to the lower house campaigns is used as the dependent variable the adjusted  $R^2$  is .5902. The power of the lower house seats, budget expenditures per capita, per capita square miles, and the percentage of lower house seats held by Republicans were all significant at the 1% level. The number of registered lobbyists per 1000 people was only significant at the 10% level and the percent difference between the numbers of

seats held by the two parties was not significant. Per capita contributions to lower house candidates had a positive relationship with seat power, and per capita square miles, and had a negative relationship with per capita budget expenditures, percentage of seats controlled by Republicans, and registered lobbyists per 1000 people.

The analysis of the campaign contributions to upper house candidates shows an  $R^2$  of .3033. None of the variables in this analysis were significant at the 1% level. The power of the upper house seats, and the number of registered lobbyists per 1000 people were both significant at the 5% level. Per capita square miles, the percentage of upper house seats held by Republicans, and the percent difference between the numbers of seats held by the two parties were significant at the 10% level. The variable of per capita budget expenditures was not significant. Per capita contributions to upper house candidates had a positive relationship with seat power, and per capita square miles, and had a negative relationship with per capita budget expenditures, percentage of Republican controlled seats, registered lobbyists per 1000, and upper house party competition.

## Discussion

The independent variable measuring the power of seats subject to elections was significant in all three analyses. This supports the hypothesis that campaign contributions are being used as a tool for rent seeking. Contributions are higher when the potential benefit of access to the legislators is higher.

The negative correlation between per capita budget money and per capita legislative contributions may be explained by the effect of competition. When there is less budget money per capita, rent seeking is more competitive and thus per capita campaign contributions are



higher. Alternatively when there is more budget money to go around, rent seeking is less competitive and campaign contributions are at lower levels. For some reason this relationship is not significant when only the upper houses are examined.

The strong positive correlation between square miles per person and legislative contributions per capita is a bit harder to explain. One possible explanation is that information dissemination and campaigning in general is more costly in less densely populated states. Further research would be necessary to completely understand the influence of this variable and what if anything it is saying about the rent seeking behavior of campaign contributors.

As the percentage of seats controlled by Republicans increases, legislative contributions per capita decrease. It is possible that the conservative ideology of Republican legislators makes successful rent seeking less likely and thus lowers the value associated with access to these legislators. If Republicans control the legislature, the value of access to all legislators would be decreased because the probability of a rent seeker getting his bill passed would be diminished. Alternatively, it could be argued that Republicans are more receptive to rent seekers and access to Republicans comes at a lower cost, but this argument does not seem to carry the same weight as the alternative.

As the number of registered lobbyists per 1000 people increases, per capita legislative campaign contributions decrease. This is evidence that the hiring of a registered lobbyist and the contributing to campaigns seem to be substitutes for one another. This would make sense, because both are methods of gaining access to legislators. This analysis does not consider the differences in criteria used by states in deciding whether a lobbyist must register or not. Further research in this area would be valuable in defining the relationship between lobbyists and

contributions. It is possible that the registration policy itself is distorting the true number of lobbyists.

The amount of competition in the house as measured by the percent difference between the two parties does not appear to be influencing per capita campaign contributions in the lower house. For the upper house the correlation is significant at the 10% level. The lower house results are similar to Hogan's findings regarding campaign spending. The fact that per capita contributions do not increase as competition for control of the house increases lends credibility to the assumption that campaign contributions constitute a form of rent seeking. Presumably levels of rent seeking would not increase just because political control of a house is more equally divided. It would be a reasonable assumption though, that contributions from people seeking to promote one party over another would increase when party control of a house is up for grabs. Since the data does not show this happening, it is reasonable to assume that overall levels of per capita campaign contributions are being dominated by contributors vying for access. Based on the upper house analysis, one could argue that as the percentage of seats controlled by the majority increases, the competitiveness over seats up for election is lessened. Presumably there would be more competition when the chances of either party having a majority after the election are equally high. Perhaps contributions to upper house campaigns are more responsive to competition because there tend to be less seats available there than in the lower house.

Overall, these independent variables are much more predictive of per capita contributions to lower house campaigns than to the upper house campaigns. The lower house analysis has a higher  $R^2$ , .5902 compared to .3033 for the upper house, and higher levels of significance on all variables besides the number of registered lobbyists, and the amount competition.

## Summary and Conclusion

These analysis are able to explain a great deal of the variation in campaign contributions among the states. The per capita budget expenditures controlled by seats in the election had a significant influence on per capita campaign contributions to candidates for both houses. Using a significance level of 5%, these analyses support Hogan's finding that chamber competitiveness does not influence campaign contributions. While the negative correlation between the number of registered lobbyists and contributions levels was only significant at a 10% level when looking at the lower house, its significance overall and to the upper house support a theory of lobbying contributing as substitutes.

Much more research is needed in this field of inquiry. Obviously this paper raises many questions for later researchers to answer. Clearly there is a difference between the factors affecting lower house campaign contributions and those of the upper house, and an investigation into these differences is needed. Further research may also focus on the effects of the percentage of seats held by Republicans, per capita square miles, and per capita budget expenditures.

Table 1

DV = Legislative Contributions per Capita	$R^2 = .5573$ Adjusted $R^2 =$ .5046	Standard error = 1.2105		
	Coefficients	Standard Error	T Stat	Significance Level
Intercept	4.306	1.327	3.245	.01
Power of Seats	0.786	0.176	4.466	.01
Per Capita Budget Expenditures (\$1000s)	-0.493	0.239	-2.063	.05
Per Capita Square Miles	6.387	2.115	3.020	.01
Percentage of Seats Held by Republicans	-3.113	1.447	-2.151	.05
Registered Lobbyists per 1000 People	-1.744	.613	-2.845	.01

This analysis does not include Nebraska because it is unicameral. It also does not include Alabama, Louisiana, Mississippi, or Maryland because no elections took place in these states in 2004. The Virginia data is derived from its elections in 2005.

Table 2

DV = Lower House Contributions per Capita	$R^2 = .6425$ Adjusted $R^2 = .5902$	Standard Error = .7191		
	Coefficients	Standard Error	T Stats	Significance Level
Intercept	3.000	.778	3.856	.01
Power of Lower House Seats	1.061	.213	4.981	.01
Per Capita Budget Expenditures (\$1000s)	-0.483	0.165	-2.927	.01
Per Capita Square Miles	4.986	1.247	3.998	.01
Percentage of Lower House Seats Controlled by Republicans	-2.315	0.837	-2.766	.01
Registered Lobbyists per 1000 people	-0.708	0.356	-1.989	.10
Lower House Party Competition	-0.468	0.599	-0.781	Not significant

This analysis does not include Nebraska because it is unicameral. It also does not include Alabama, Louisiana, Mississippi, or Maryland because no lower house seats were up for election.

Table 3

DV = Upper House Contributions per Capita	$R^2 = 0.4078$ Adjusted $R^2 = 0.3033$	Standard Error = 0.5512		
	Coefficients	Standard Error	T Stats	Significance Level
Intercept	2.207	0.672	3.284	.01
Power of Upper House Seats	0.451	0.172	2.622	.05
Per Capita Budget Expenditures (\$1000s)	-0.106	0.096	-1.104	Not significant
Per Capita Square Miles	1.719	0.969	1.774	.10
Percentage of Upper House Seats Controlled by Republicans	-1.307	0.670	-1.951	.10
Registered Lobbyists per 1000 People	-0.777	0.292	-2.661	.05
Upper House Party Competition	-0.890	0.476	-1.870	.10

This analysis does not include Nebraska because it is unicameral. It also does not include Alabama, Louisiana, Mississippi, Maryland, Michigan, Minnesota, New Jersey, or Virginia because no upper house elections were held in these states.

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### Acknowledgements

- I would like to thank Dr. Cecil Bohanon for advising me on this project. His knowledge and help were indispensable in completing this paper.
- I would also like to thank Jeff Linder and Dr. Tom Morrison for inspiring my interest in the state legislature.